



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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May 15, 1995

Edward B. King
President
Jumbo Mining Company
6305 Fern Spring Cove
Austin, Texas 78759

Re: Response to Draft Letter - Reclamation/Drum Mine , Jumbo Mining Company, Drum Mine, M/027/007, Millard County, Utah

Dear Mr. King:

I have completed my review of your May 1, 1995, telefaxed draft letter which you prepared in response to our recent telephone conversations. I was out of the office most of last week and accordingly could not respond sooner. I will respond to each of the line items as outlined in your draft letter as follows.

1. *Topsoil - you are reviewing the cost estimates which we have submitted and will, in due course, accept our numbers or propose new ones.*

You are correct, the Division is presently evaluating your topsoiling cost estimate and will prepare our own estimate following a comparison against our cost estimating guides and the calculation of appropriate third party costs.

2. *Your staff is in the process of reviewing and updating all other reclamation estimates from the original 1984 figures, which were last amended in 1989.*

As part of our calculation of Jumbo Mining Company's (JMC) new reclamation surety amount for the entire Drum Mine site, we will use the old reclamation cost estimates as a basis for establishing a new surety amount. I indicated to you that in the interest of time, we may request that JMC post an *interim* reclamation surety. This interim surety would be calculated based upon the original approved Western States surety estimate. Appropriate escalation factors would be computed and added to the original WSMC surety estimate along with additional projected reclamation costs associated with the more recently approved and/or proposed (post - WSMC) disturbed areas.

3. *Your staff is reviewing all permit conditions and will propose updates to bring these permits and mining plans up to date.*

Page 2
Edward B. King
M/027/007
May 15, 1995

As part of our calculation of a revised reclamation surety amount for the entire Drum Mine project area, we will review all applicable permit conditions and advise JMC accordingly of any outstanding requirements or necessary updates.

4. *A revised Plan of Operations will be required from Jumbo Mining Company, which describes and encompasses the construction of a new heap, as well as the contemplated second stage expansion of the new heap to accommodate the reprocessing of old heaps No. 's 2, 3, 4, 5, 6, and 7, as well as LG1 and LG2.*

It is our understanding that the revised Plan of Operations is a requirement based upon a recent BLM Non-Compliance Notice. I advised you that the Division may require JMC to update the existing Mining and Reclamation Plan to the extent that the actual onsite, as-built conditions, are not in concert with WSMC's originally approved plan. Obviously any new disturbances or changes to the original plan (eg., reprocessing of old heaps, etc.) would also have to be made a part of the revised plan.

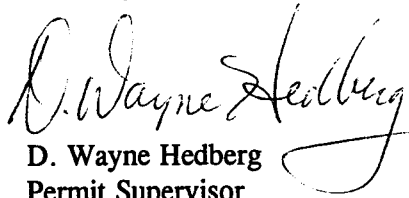
With regard to your statements involving the status of the permitting for the new heap, I do not believe that the Division has sufficient engineering detail as of yet, to prepare an accurate reclamation estimate.

5. *You will send to us, in due course, examples of the new transfer forms that must be completed by Western States and Jumbo Mining Company, and accepted by your Department, prior to the transfer of reclamation responsibility from one party to another.*

Yes, it is our intention to forward appropriately updated permit transfer forms to you in the near term, so that the final transfer of the remaining Drum Mine properties from WSMC to JMC can be accomplished.

Once again, I apologize for the delay in responding to your draft letter. Please contact me at your earliest convenience if you have questions or concerns with this response. I hope to have a decision and response letter to you within the next couple of weeks regarding the outstanding topsoil reclamation cost estimate.

Sincerely,


D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

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